

VZCZCXRO3546

RR RUEHAG RUEHAST RUEHDA RUEHDF RUEHFL RUEHIK RUEHKW RUEHLA RUEHLN
RUEHLZ RUEHNP RUEHPOD RUEHROV RUEHSK RUEHSR RUEHVK RUEHYG
DE RUEHBW #1270/01 3451450
ZNR UUUUU ZZH
R 101450Z DEC 08
FM AMEMBASSY BELGRADE
TO RUEHC/SECSTATE WASHDC 0729
INFO RUEHZL/EUROPEAN POLITICAL COLLECTIVE
RHEHNS/NSC WASHDC
RUZEJAA/JAC MOLESWORTH RAF MOLESWORTH UK
RHMFISS/HQ USEUCOM VAIHINGEN GE

UNCLAS SECTION 01 OF 03 BELGRADE 001270

SENSITIVE
SIPDIS

E.O. 12958: N/A

TAGS: [PGOV](#) [ECON](#) [MARR](#) [SR](#)

SUBJECT: SERBIA: SCENESETTER FOR THE DECEMBER 19-20 VISIT OF
CONGRESSMAN TED POE

BELGRADE 00001270 001.2 OF 003

Summary

¶1. (SBU) Your visit to Serbia comes as we are rebuilding high-level contacts with a new, pro-European Serbian government in the wake of Kosovo's declaration of independence. The recent agreement in the UN Security Council on the deployment of the European Union's Rule of Law mission was a crucial step forward which we hope will permit Serbia to shift its focus from Kosovo to the range of economic and political reforms necessary for membership in the EU, and to play a more constructive role in the region. Reforms to date have been uneven, with significant progress in the defense sector but many challenges ahead in the economic sphere, particularly in light of the global financial crisis. End Summary.

Domestic Politics

¶2. (SBU) After several years of ineffective governance due to tension within its ruling coalitions, Serbia elected a democratic, pro-European president in February and formed a government based on the same principles in July. President Boris Tadic's Democratic Party (DS) is the main party in the ruling coalition, and also controls Serbia's largest city governments. Tadic and his ministers have laid out an ambitious program of economic and political reform designed to speed the path to European Union membership. An inefficient bureaucracy and legislature, combined with internal political turmoil over Kosovo and a fractious opposition, have thus far limited progress on Tadic's agenda, however. In addition, political rivalries among the governing parties - which include the Socialist Party of former dictator Slobodan Milosevic - have led to counterproductive infighting and rumors of early elections.

Kosovo

¶3. (SBU) Serbia's recent agreement to the deployment of the European Union's Rule of Law Mission, or EULEX, throughout Kosovo was a watershed event. With the deployment of EULEX on December 9, the United Nations ceased responsibility - after nine years - for police and judicial oversight in Kosovo, transferring many of its authorities to EULEX and the Kosovo authorities. Serbia agreed to EULEX's deployment only after receiving assurances from the UN Secretary General's Special Representative for Kosovo that a reconfigured UN presence would remain in Kosovo and would continue to engage with Serbia on specific issues of concern, including policing, customs enforcement infrastructure, and cultural heritage. EULEX, to which the U.S. is contributing personnel, has said it will coordinate with the Serbian government as it carries out its mission.

¶4. (SBU) Resolution of the EULEX issue followed Serbia's success in obtaining the agreement of the UN General Assembly in October to request an advisory opinion from the International Court of Justice on the legality of Kosovo's February 2008 unilateral declaration of independence. The Serbian government has assured us that with these two issues put aside, it will now work constructively with the United States and other international partners to promote regional stability. The next few months will be a crucial test of the Serbian government's commitment to stop putting Kosovo above other crucial issues. In particular, we expect Serbia to continue to advocate respect for the Dayton Accords in Bosnia-Herzegovina and to improve relations with Croatia by addressing issues related to the wars of the 1990s, such as refugees.

Euro-Atlantic Integration

¶5. (SBU) The top priority of the government of Prime Minister Mirko Cvetkovic is to pursue membership in the European Union. Serbia signed a Stabilization and Association Agreement (SAA) with the European Union in April 2008, and hopes that the EU will soon implement the associated Interim Trade Agreement (ITA) and grant Serbia candidate status. Both steps are contingent on Serbia completely fulfilling its obligations to cooperate with the International Criminal Tribunal for the Former Yugoslavia (ICTY), however; most notably, Serbia must still capture and extradite former Bosnian Serb General Ratko Mladic to face war crimes charges.

¶6. (SBU) While Serbia cooperates actively with NATO via the Partnership for Peace program, it does not intend to pursue NATO membership in the foreseeable future. This is partly due to lasting public anger over the 1999 NATO bombing campaign which forced then-President Slobodan Milosevic to halt his ethnic cleansing

BELGRADE 00001270 002.2 OF 003

campaign in Kosovo. It also reflects both Serbia's interest in walking a fine line between Russia and the West, and its limited institutional and financial capacity to undertake numerous simultaneous international commitments.

Security Issues

¶7. (SBU) Defense reform is nevertheless a priority of the Serbian government, and an area where significant progress has been made. The Serbian Armed Forces have been right-sized to about 28,000 troops, with further cuts on hold for the time being, pending a reevaluation of the security environment. Minister of Defense Dragan Sutanovac (DS) has overseen significant soldier pay increases, training improvements, and legislation to codify defense reform, as well as improvements in strategic planning and procurement. The Ministry has also made progress on disposing of some excess materiel such as MANPADS, which we are funding. Further reforms, including a reduction in civilian staff, are needed. Serbia is an active participant in the National Guard's State Partnership Program with Ohio, which has been publicly well received and touted as an example of successful bilateral cooperation.

Economic Issues

¶8. (SBU) Serbia has yet to feel the full impact of the global financial crisis, but some consequences are already apparent: tightening credit conditions have made it more difficult to obtain a mortgage, and several major employers have laid off personnel due to declining demand. The government is nevertheless optimistic that due to measures they have taken to stabilize the banking system and protect the national currency (the dinar), Serbia will not be as severely affected as some other countries.

¶9. (SBU) Serbia's recent growth has been fueled by large fiscal

expansion and a growing trade deficit. Serbia needs to address lingering economic issues, including reform of the commercial and enterprise sectors and privatization of large state-owned enterprises, in order to become a viable destination for investment and further integrate into the European market. Serbia's GDP grew by 7% through the third quarter of 2008, fueled by increased government spending and a boom in services (transportation, financial services, and retail trade). The government estimates 2009 growth at 3% to 3.5%. In 2008 the Serbian government signed a lucrative agreement with car maker Fiat to invest in Zastava, a state-owned car manufacturer.

Bilateral Issues

¶10. (SBU) Relations between the United States and Serbia were severely strained after Kosovo's declaration of independence, which the Serbian government continues to view as U.S.-driven and a violation of its sovereignty and of international law. On February 21, rioters attacked and set fire to the U.S. Embassy after riot police left their duty stations. (The Serbian government reimbursed us for the full amount of the damages in December.) Serbia recalled its ambassador from Washington and restricted the ability of U.S. mission personnel to meet with high-ranking Serbian officials until October. These restrictions resulted in an almost complete cessation of high-level bilateral contacts for most of 2008.

¶11. (SBU) The bilateral relationship has also been strained by the case of the fugitive Miladin Kovacevic, a former SUNY Binghamton basketball player charged with assaulting fellow student Bryan Steinhauer in a May 2008 bar brawl. Steinhauer was in a coma for several months due to the severity of the beating. With the help of a Serbian vice consul who issued a new travel document under suspicious circumstances, Kovacevic fled the U.S. and remains in Serbia. He is in pre-trial detention on Serbian charges of assault, use of a false travel document, and aiding and abetting the misuse of authority. The Serbian government is trying to persuade Kovacevic to return to the United States to face justice; unfortunately, Serbian law forbids the extradition of its citizens, except to international war crimes tribunals. Senators Schumer and Clinton have followed the case closely.

Comment

¶12. (SBU) This is a time of great opportunity for Serbia: its new democratic, pro-European government is in position to break out of the self-imposed prison that was its Kosovo policy and begin to take

BELGRADE 00001270 003.2 OF 003

the many difficult and unpopular steps necessary to reform the country's economy and political system. Our consistent message to our Serbian interlocutors is the importance of overcoming domestic political rivalries and grievances with neighboring countries in order to demonstrate the political maturity and responsibility necessary for EU membership. End Comment.

MUNTER